

MEMORANDUM FOR: Director of Logistics

SUBJECT: PPA/PRA Study Working Group - Description and  
Purpose of Simulated Direct Funding in FY 1976

1. At your meeting with the PPA/PRA Study Working Group on 29 May, you asked for a more detailed description of the simulated direct funding procedure that the Group is planning to submit for your approval.

2. As reported to you, the Group has verified that adoption of direct funding per se would have no substantive impact on the supply, procurement, or finance systems. The substantive change will be limited to budget policy and management. Therefore, the proposal for a period of simulation of direct funding is limited to the area of budget control and will not affect the substantive areas of the supply, procurement, or finance systems.

3. Simulated Direct Funding Procedures:

a. The proposal for direct funding contemplates that direct procurement actions will be an obligation against the allotment of the requisitioning operating component and that inventory procurement actions will be an obligation against the allotment of the component to whom "common budget" responsibility has been assigned for certain portions of the inventory. The denominator here is "operating component".

b. The budget accounting structure under the present PPA system is based on identification of materiel category distinguished between direct and inventory procurement. The single exception is the inventory procurement for Allocations 26 (agent communications materiel) and 61 (OTS cognizant materiel) where accounts are maintained for each

of the allocations. This accounts structure is not compatible with that anticipated under direct funding and does not procedure responsive statistical information other than in gross totals.

c. To implement a simulated mode, we plan to revise the budget account (FAN) structure of the PPA to parallel generally the budget account structure under actual direct funding procedures. Assignment of FAN's to requisitions for procurement action will continue to be the responsibility of Supply Division, Supply Management Branch. The FAN citation by requisitioning components for purpose of issue charges under PRA will remain unaffected under the simulated direct funding procedure. A comparison of the current and proposed FAN structure of the PPA looks like this:

Direct Procurement

Current account structure - FY 75

5198-7812	Ordnance
5198-7822	Transportation and Airborne
5198-7832	Industrial and Engineering
5198-7842	Communications

and other materiel categories plus reimbursable procurement

Proposed account structure - FY 76

6198-0037	East Asia Division
6198-0063	Office of Elint
6198-0078	Office of Logistics
6198-0079	Office of Communications

and other operating components plus reimbursable procurement

The numbers used to identify office (last two) are the office numbers used in the FRS (financial resource system) and which appear as part of the FAN cited by the operating component on requisitions for PRA issue purposes.

Under the actual direct funding system, the procurement account would be the appropriate office FAN assigned by the operating component. For example, under the simulated account structure, direct procurement for OL would be charged to operating component number 78. Under actual direct funding, the procurement obligation would be charged to an office FAN such as 78-101 D/L and Staffs, 78-1020 RECD, 78-1141 P&PS, etc. For purpose of simulated direct funding identification, operating component level will suffice.

Inventory Procurement

Current account structure - FY 75

5198-7811	Ordnance
5198-7821	Transportation and Airborne
5198-7831	Industrial and Engineering
5198-7841	Communications
5198-7851	Electrical
5198-7861	Medical
5198-7871	General
5198-7881	Photographic
5198-7891	ADP
5698-7802	Allocation 26
5698-7806	Allocation 61

Proposed account structure - FY 76

6198-0210	Allocation 21 - OC major and/or special equipment
6198-0430	Allocation 43 - Div D/TSG materiel
6198-0740	Allocation 74 - <span style="border: 1px solid black; display: inline-block; width: 350px; height: 1.2em; vertical-align: middle;"></span>

25X1

and other allocations of the inventory

SDI 45-67, Standard Codes, defines the allocation code as "code used on supply documents and supply status reports to indicate the purpose of the stock or identify property allocated for projects and/or specific components

of the Agency". With use of the allocation code as the point for establishing the budget account structure, the simulated direct funding proposal in effect extends the inventory funding procedure now used for control over OTS cognizant and Agent Communications materiel. The question of which offices will be assigned budgetary responsibility for the several allocation accounts need not be answered at this time and can await further study and recommendation by Supply Division and the cognizant offices as discussed in separate memorandum. Establishment of FAN's on the basis of the current allocation structure will suffice for initiation of the simulated direct funding procedure.

4. Results to be Achieved under Simulated Direct Funding

a. When direct funding is implemented in FY 1977, the Comptroller plans to make comparability adjustments in the operating budget and allotments by transferring funds for inventory procurement to the offices that have been assigned appropriate inventory budget responsibility. Accumulation of obligation information and related statistics during FY 1976 in a pattern that generally equates with the direct funding budget structure will enable the Comptroller and the operating components to quantify and to identify the purpose and amounts for comparability adjustments that are based on an "actual" year of obligation. The "actual" year will also serve as the base year in FY 1977 for management of funds and for FY 1978 ~~preparation of~~ program/budget requirements, estimates, and justification.

b. The revised PPA FAN structure will be of value to the D/L in management of PPA during FY 1976. Under the present system, the record of "contributions" to PPA by the several operating components--i.e. PRA--is identified by operating component, the record of PPA use is by materiel

category. Therefore, analysis of the status of PPA in relation to the PRA, which is the source of funds for PPA, can be only in gross totals. This is living dangerously since the relatively of PPA and PRA figures is influenced by many unknown and unquantified variables such as time lags, errors in the system, lost documents, etc. The ability to identify PPA direct procurement obligations by individual operating component will result in far more precise analytical results and isolation of problem areas that does not now exist.

c. Inventory procurement allotment requirements are based on estimates of the major cognizant managers--i.e. SMB, OC/MSB, Div D. Under the present accounts system, each inventory allottee has been forced to maintain informal records on the use of the sub-allotment since the PPA accounts provide information only on total stock procurement by materiel categories. Establishment of separate accounts by allocation and provision of periodic accounting status reports by OL/BF will relieve each of these components of this bookkeeping function.

d. Use of a FAN structure that is compatible with inventory classifications (i.e. allocations) enables use of the capabilities of ICS to provide statistical information for management of the PPA. As noted above, the use of FAN's to accumulate obligation information on direct procurement by office will give us only a part of the story. We can now turn to ICS (with enhancement of the recently-implemented requisition module) for reports on the dollar value of requisitions for allocation stock drawdowns identified by office. ~~This will give us information to produce management reports that look like this~~ Use of combined information from the budget accounts and ICS will also provide a means of monitoring stock procurements against stock issues to assure the proper balance between

funds made available for inventory procurement through the PPA/PRA system with actual procurement actions.

e. The wealth of information now or planned for the various computer systems--FRS, ICS, CONIF, GAS--absolutely challenges the imagination. At the meeting of 29 May you questioned the Group on possible loss to OL of information now available under the PPA system to quantify and project possible fourth quarter problems to Procurement Division resulting from end of year funding. It was conceded that adoption of direct funding would eliminate this specific source of information. However, OL can get from FRS (automated budget control system) reports by office, directorate, or other organization break, as required, amounts budgeted for supplies (expendables) and equipment (non-expendables), amounts obligated, etc. Since the basic unit of the FRS system is FAN and subobject class, the only decision OL has to reach is the mix, array, and frequency with which it needs these reports.

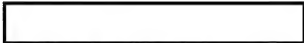
f. Adoption of direct funding will require precise definition of inventory policy for purpose of assigning budgetary responsibility for direct procurement and inventory procurement needs and for the purpose of developing an Agency budgetary procedure for identification of materiel requirements and provision in the Agency's appropriation request and operating budget. The period of simulated direct funding will enable review and recommendations for change in codes and classifications of the inventory, if needed, to assure compatibility with information needs under the inventory budgeting procedures.

g. The period of simulated direct funding will coincide with conversion to GAS and development of an automated system for obligation control over procurement actions. Centralized control by OL over PPA

during this period will tend to facilitate solution to systems problems that can be anticipated with adoption of any new ADP processing.

h. Simulated direct funding will also provide the time needed to test and refine the direct funding system and to assess the system for purpose of recommendation for adoption in FY 1977.

5. Please advise if you desire further description or explanation.

  
PPA/PRA Study Working Group

25X1

cc: Mr.  
Mr.  
Mr.  
Mr.

